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16 **UNITED STATES DISTRICT COURT**  
17 **CENTRAL DISTRICT OF CALIFORNIA**

18 NEWEGG, INC., a Delaware Corporation,

19 Plaintiff,

20 v.

21 EZRA SUTTON, P.A., a New Jersey  
22 Professional Corporation; and EZRA  
23 SUTTON, an individual,

24 Defendants.

Case No.: 2:15-cv-01395-TJH-JC

**MEMORANDUM OF POINTS  
AND AUTHORITIES IN  
SUPPORT OF DEFENDANTS'  
MOTION FOR ORDER  
AMENDING PRETRIAL  
ORDER AND TO ASSERT  
FAIR USE DEFENSE**

Hon. Terry J. Hatter, Jr.

Motion Date: April 25, 2016  
Time: UNDER SUBMISSION

Final PTC: March 28, 2016  
Trial Date: Not Set

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## MEMORANDUM OF LAW

### I. INTRODUCTION

Defendants move to amend the Pre-Trial Order filed on February 25, 2016 in order to assert FAIR USE as an additional defense to this copyright action. The Copyright Act provides a specific exclusion for using copyrighted works in judicial proceedings.

### II. THE FACTORS TO CONSIDER

The factors for the Court to consider in amending a Pre-Trial Order are: (i) there is no **prejudice** to Plaintiff since complete discovery of the facts has been conducted by Plaintiff, and no additional discovery as to the facts are necessary; (2) the additional defense will have no impact on **the conduct of the trial**, since the current facts in the case support the defense of fair use; and (3) there is **no bad faith** by Defendants asserting this common defense of fair use. See Galdamez v. Potter, 415 F.3d 1015, 1020 (9<sup>th</sup> Cir. 2005).

Based on additional research of copyright law, it has now become apparent that Defendants have a right to assert a fair use defense to copyright infringement in the context of submitting copyrighted material in the underlying judicial proceeding.

### III. FEDERAL RULES OF CIVIL PROCEDURE

Rule 16(b)(4) provides that “[a] schedule may be modified only for good cause and with the Judge’s consent.” If the Court refuses to permit the fair use defense, it would result in **injustice to Defendants**, while allowing the defense would cause no

1 injury to the Plaintiff, and no more than a slight inconvenience to the Court. See United  
2 States v. First Nat. Bank of Circle, 652 F.2d 882, 887 (9<sup>th</sup> Cir. 1981).

3 If good cause is found, then the Court turns to Rule 15 to determine whether the  
4 amendment sought should be granted. See Johnson v. Mammoth Recreations, Inc., 975  
5 F.2d at 608.

7 During this case and discovery, Defendants have asserted that the use of  
8 Plaintiff's brief in a judicial proceeding did not damage the Plaintiff, and did not  
9 diminish the value of the work because it was immediately published on PACER for  
10 anyone in the public to use as soon as Plaintiff filed it with the Court.

12 Rule 15(a) of the F.R.C.P. provides that leave of Court "shall be freely given with  
13 extreme liberality when justice so requires. Courts should be guided by the policy  
14 favoring decisions on the merits "rather than on the pleadings or technicalities." See  
15 Moore's Federal Practice. In Foman v. Davis, 371 U.S. at 182, the Supreme Court  
16 allowed the Plaintiff to amend her complaint after the District Court entered judgment  
17 dismissing the complaint to **avoid abuse of discretion**.

18  
19  
20  
21 **IV. LEAVE TO AMEND SHOULD BE FREELY GIVEN**

22 A) This amendment is **not sought in bad faith**, since this additional defense  
23 of FAIR USE became apparent just prior to mediation of the case with the Magistrate  
24 Judge on March 16, 2016.

26 B) Also, the additional defense of fair use is **not futile** because it is a common  
27 defense asserted in copyright cases involving judicial proceedings.  
28

1 C) Further, there is **no prejudice to Plaintiff** since the fair use defense was  
2 discussed with Plaintiff and relevant case law was provided to Plaintiff's counsel on  
3 Friday, March 11, 2016, prior to meeting with the Magistrate Judge on March 16, 2016.  
4

5 D) Further, the Ninth Circuit has held that **mere delay** in seeking leave to  
6 amend is not a sufficient basis for denying a motion to amend, as distinguished from  
7 undue delay. As discussed above, no further discovery is required in order to determine  
8 the viability of the fair use defense. Also, if the fair use defense is accepted by the  
9 Court, it would not be necessary for the Court to consider damages.  
10

11 **V. THE FAIR USE DEFENSE**  
12

13 In determining whether the use made of a work in any particular case is a fair use  
14 the factors to be considered shall include—

15 (1) the purpose and character of the use [in judicial proceedings] including  
16 whether such use is of a commercial nature or is for nonprofit educational purposes;  
17

18 (2) the nature of the copyrighted work;

19 (3) the amount and substantiality of the portion used in relation to the  
20 copyrighted work as a whole; and  
21

22 (4) the effect of the use upon the potential market for or value of the  
23 copyrighted work. See 17 U.S.C. § 107.  
24  
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1 In the Note accompanying § 107, Congress listed numerous examples of “the sort  
2 of activities the courts might regard as fair use under the circumstances,” including  
3 “reproduction of a work in legislative or **judicial proceedings** or reports.” House  
4 Committee on the Judiciary, H.R.Rep. No. 94-1476 (1976).  
5

6 As to the first statutory factor, the purpose and character of the use of the work  
7 was in a judicial proceeding. It is noted that as soon as Plaintiff filed its brief, it is  
8 published and placed on Pacer for anyone to have access to and copy.  
9

10 As to the second statutory factor, is the nature of the copyrighted work, which  
11 again was for use in a judicial proceeding which Congress regarded as fair use.  
12

13 As for the third statutory factor, the court may consider the amount of the work  
14 used. Here, Defendant’s purpose was to prevail in litigation, in judicial proceedings.  
15 However, as the facts show, Defendant’s brief was immediately withdrawn and not  
16 used. This means that after the work was withdrawn, it was removed and was no longer  
17 in the records of the court.  
18

19 As for the fourth statutory factor, which is the effect of the use of the work upon  
20 the potential market or value of the work. As stated above, it is noted that as soon as  
21 Plaintiff filed its brief, it is published and placed on Pacer for anyone to have access to  
22 and copy. Therefore, the copyrighted work does not have any value at that point. Thus,  
23 there was no damage in this case. See Hollander v. Steinberg, 419 Fed.Appx. 44 (2011).  
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1 Accordingly, the Fair Use Defense applies in this case, and there are no damages,  
2 because the copyrighted work did not have any value once Plaintiff filed it with the  
3 court, and it became public for anyone to have access to and copy.  
4

5  
6 Dated: March 25, 2016

Respectfully submitted,

7 KOHAN LAW FIRM

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9 By: /s/ K. Tom Kohan  
10 K. TOM KOHAN  
11 Attorney for Defendants

12 cc: Ezra Sutton  
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